

NASA 3rd Annual Small Business Symposium and Awards Ceremony

Surviving Supply Chain Management (SCM) changes “As the world turns...”

11/30/10 1:30pm-3:00pm Plenary #3:

Ms. Jenifer Scoffield, Moderator
Small Business Program Manager
ATK Aerospace Systems



Ms. Patricia Rice
Manager, Small Business & Supplier Development
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Director Supply Chain & Materiel Management
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This session will concentrate on some of the SCM trends and operational changes needed in doing business today. What affects the large contractors will ultimately ripple down to small businesses as a necessity of doing business. Nothing is quite as consistent as change and business decisions that are made to accommodate new business environments and customer requirements.

State of Continual Change

- WHY?
- Government Customers & Large Businesses are challenged to do it better!
- Does This Effect You?

State of Continual Change

- What is normal now?

- Communication
 - Competition
- Qualified Sources
- Acceptable Delivery
- Same Customers & Same Suppliers

- What is “required” to change?

- Communication
 - Dual Sources
 - Re Compete
 - Just In Time
- Different Customers at every level

New Business Environment

- Keep in touch with customers – What do they want?
- Be the Solution 1st – Flexibility – Vision of Possibilities.
- Bring your best to the table the first time – and second.
- Flexibility to eliminate the customers “hands on” effort.
- Build Relationships at every level – maybe bottom up.

Talk & Walk for the Future

- Simplify all Business Systems –
- System Portals -
- E-Commerce -
- Lean Manufacturing –
- Just In Time –
- Competitive Tools
 - Reverse Auction & Online Bidding
- **SIMPLIFY THE ENTIRE PROCESS!!**

Supplier Development

➤ Supply Base Rationalization

Defined as a conscientious effort to determine the right number of suppliers to do business with

Some factors include quality, overall costs, delivery performance, customer service capabilities, price and supplier flexibility

The most frequently cited consideration is the quality of the goods or services to be purchased. Suppliers can truly set themselves apart by offering goods and services of superior quality for the right price.

Supplier Development

➤ Programs established to drive supplier performance and recognize a supplier for their exceptional performance

A method for aligning & linking the Value Stream around customer focused metrics

Key Aspects:

- Consistent process

- Facilitates & accelerates performance improvements

- Recognizes Supplier Excellence

- Compliments a supplier's continuous improvement program

- Alignment with other Operating Systems

- Common business performance measures

- Promotes lean concepts and a continuous improvement culture

- Does not dictate implementation details

- Supplier utilizes their own Operating System

Supplier Development

➤ Common business performance standards

Quality Performance

Nonconforming Parts (PPM)

Zero Escapes

Delivery Performance

On time Delivery

Customer Satisfaction (Market Feedback Analysis)

Overall performance

Cost competitiveness

Quality of product

Delivery

Ease of doing business

Customer support

Flexibility

Response to information requests

Attitude, Courtesy, and Professionalism

Supplier Development

- Operational Lean capability – via industry standard lean assessment. Supplier utilizes their own operating system

Process Improvement & Waste Elimination

Lean Events & Training

3P Production Preparation Process

Value Stream (Process) Management

New 5S

Set-up Reduction

Process Certification

Total Productive Maintenance

Standard Work

Escape Awareness

Problem Solving

Quality Clinic Process Charting (QCPC)

Mistake Proofing

Relentless Root Cause Analysis (RRCA)

Market Feedback Analyses

Marciano Chart

Russo Charts

Elephant Charts

Impact maturity

Decision Making

Passport Review

Supplier Development

Supply Base Rationalization

Programs established to drive supplier performance and recognize a supplier for their exceptional performance

Common business performance standards

Quality Performance

Delivery Performance

Customer Satisfaction

Operational Lean Capability – via industry standard lean assessment

Supplier utilizes their own operating system

Surviving Supply Chain Management Changes

- Opportunities Facing Procurement
- Potential Responses
- Relationship Model
- Strategy to Respond

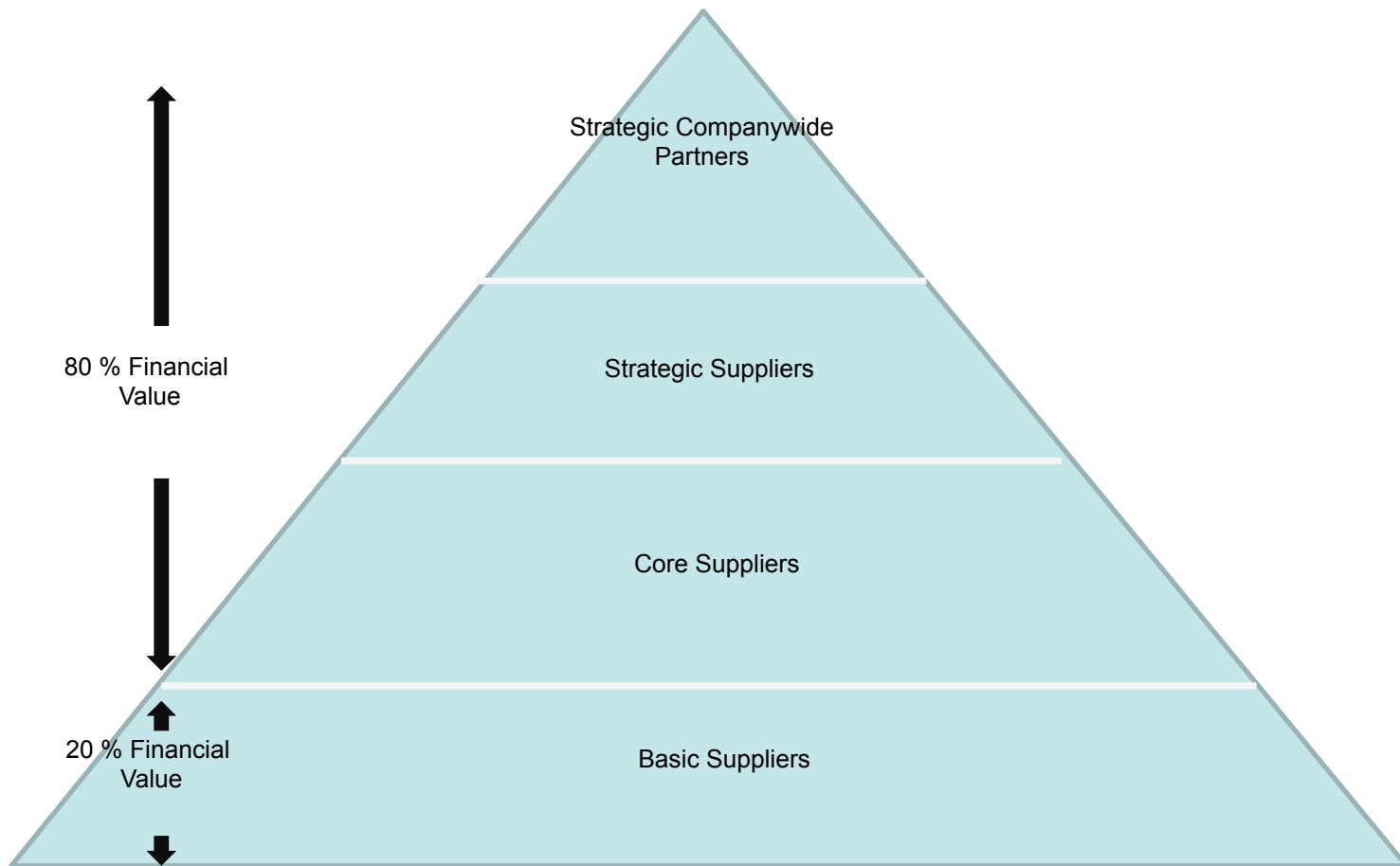
Opportunities Facing Procurement

- Seen as a cost center by some
- Risk buried in supply chain
- Customers delaying program starts
- Supplier performance

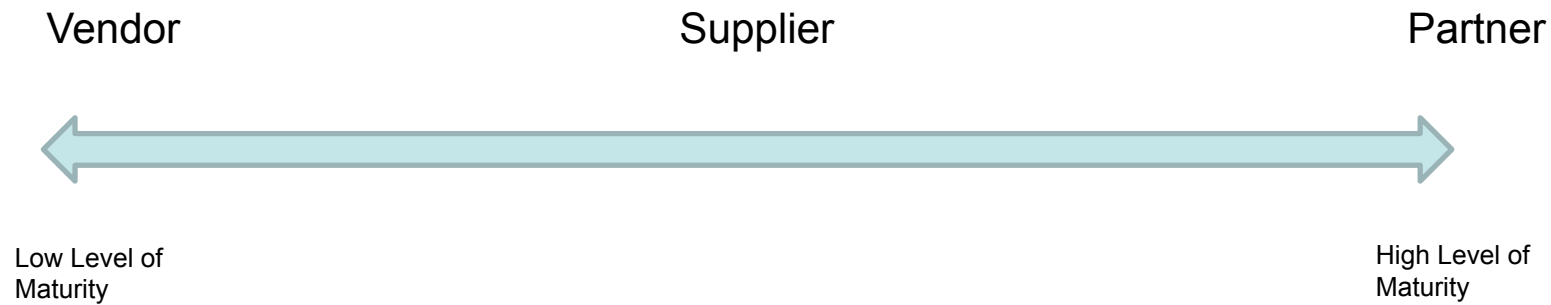
Potential Procurement Responses

- Move to centralized function – consolidation
 - Reduce redundancy = reduce cost
- Move to decentralized function –
 - Reduce operational misses = reduce cost
- Longer term Agreements
 - Reduce transactions = reduce cost
- Reduction in Supply Base
 - Reduce # of Suppliers = Reduce transactions = reduce redundancy = reduce cost
- Supplier Segmentation or Stratification

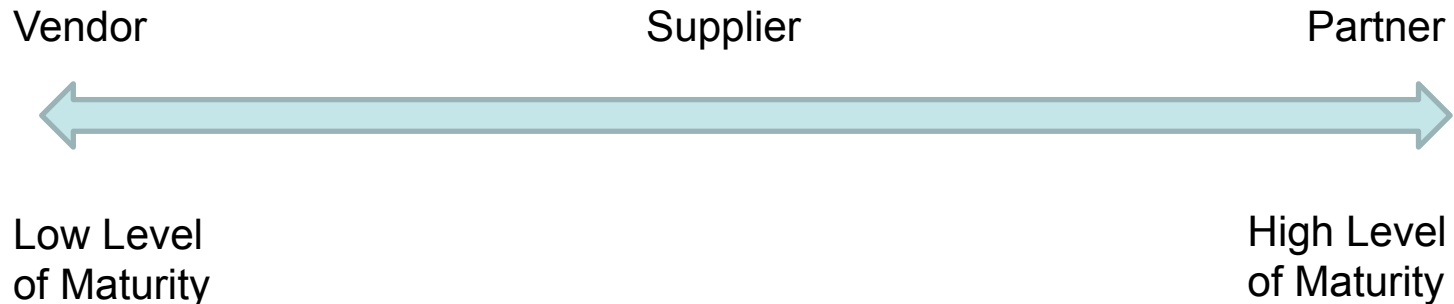
Supplier Stratification



Relationship Maturity Model



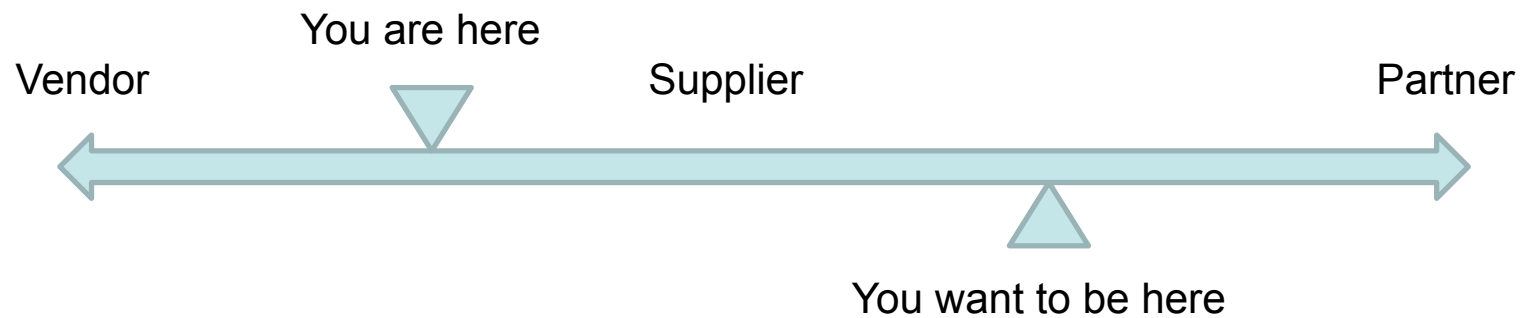
Relationship Maturity Model



Arms Length Transactions
Relationship defined by PO
Sporadic Interaction
Often Competitively Bid
Commodity based
Price is Important
Provider is at fault
Provides Parts

Long Term Agreements
Shared Product Forecasts
Joint Improvement Actions
Continual Interface – Exec. Level
Strategic Importance
Value is explicit
We failed
Provides Solutions

Relationship Maturity Model



Moving to the right in this model is your best chance for not only survival but growth.

Strategies for Maturity

- Know yourself – Strengths and Weaknesses
- Know your customer – or commit to know them better
- Listen and verify customers' challenges
- Create and deliver solutions
 - The “I want to make your life easy” approach vs. the “buy something from me” approach
 - REDUCE MY RISK
 - REDUCE MY TRANSACTION COSTS

Wrap up

- Your customers' Procurement Organization faces many challenges
- Your survival and growth depends on your ability to understand these challenges and focus on being the solution provider of choice.